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DE RUEHRO #0207/01 0541513
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FM AMEMBASSY ROME
TO RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 1657
INFO RUEHSS/OECD POSTS COLLECTIVE PRIORITY
RUEHFL/AMCONSUL FLORENCE PRIORITY 3489
RUEHMIL/AMCONSUL MILAN PRIORITY 9871
RUEHNP/AMCONSUL NAPLES PRIORITY 3662
RUEHBS/USEU BRUSSELS PRIORITY 4754

C O N F I D E N T I A L SECTION 01 OF 02 ROME 000207

NOFORN
SIPDIS

DEPT PASS TO NSC FOR TOBY BRADLEY AND CELESTE CONNERS; DOE
FOR INTERNATIONAL STAFF; DOC FOR SARAH LOPP

E.O. 12958: DECL: 02/23/2019

TAGS: ECON ENRG FR IT PREL

SUBJECT: NUCLEAR POWER COMPETITION: US AND FRANCE IN THE
RUNNING

REF: A) 08 ROME 1191 B) 08 ROME 1308 C) 08 ROME 1577

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Classified By: CDA Elizabeth Dibble for reasons 1.4 b and d

See action request in para 8.

¶1. (C) Summary: The U.S. Mission recently orchestrated a visit by U.S. Nuclear Regulatory Commission (NRC) officials to provide Italy with U.S. views on nuclear power regulation and plant licensing. Both issues are under review here as the GOI moves to reintroduce nuclear power after a twenty-year shutdown. Current plans anticipate the start of construction of the first of as many as ten nuclear plants in 2013. U.S.-made nuclear reactors may prove to be the best technological and commercial choice for Italy, but intense French lobbying, including by President Sarkozy, could win the day for the French. The Mission will continue our efforts to provide U.S. nuclear technology firms with an opportunity to win what could be billions of dollars in contracts. However, high level U.S. lobbying with the Italians may be required to offset French efforts. End Summary.

ITALY PLANS ITS RETURN TO NUCLEAR ENERGY

¶2. (SBU) The U.S. Mission is conducting an ambitious program to forge closer connections between U.S. and Italian opinion makers, as well as scientific and energy interests, in the area of low carbon technologies, including nuclear energy and renewables (see para 7). As part of this effort, the Embassy invited senior NRC officials to come to Rome on February 9 - 11 to participate in a seminar that we prompted the GOI's Ministry of Economic Development (responsible for energy) to organize on the subjects of Italian nuclear energy prospects and safety. Speakers included Guido Bortoni, newly appointed Chief of the Energy Department within the Ministry, DG Luis Echavarri of the OECD's Nuclear Energy Agency, NRC Counsel Karen Cyr, NRC DepDir Gary Holahan and EcMin. Attendees included representatives from all major domestic energy interests and relevant agencies, as well as U.S. energy firms.

¶3. (C) Due to Italy's solid industrial and technology base, the NRC assessed that Italy should be able to relaunch its nuclear energy sector early in the next decade. The GOI, however, has a lot of work ahead to prepare the framework for

its ambitious industrial project. As an initial step, the Italian parliament is expected to approve key enabling legislation by April. The GOI will then have the authority to produce the regulatory structure to govern construction and operation of new nuclear power plants, selection of sites, and treatment of nuclear waste. (Note: The Embassy already intervened in the legislative process and successfully brought about the amendment of language that would have limited Italian nuclear procurement to EU member state suppliers. As it now stands, the GOI or Italian entities will be permitted to contract with any firm incorporated in a state party to the OECD's Nuclear Energy Agency. End Note)

¶14. (C) Italian industrial and utility companies are making preparations. Ansaldo Nucleare, the only remaining Italian nuclear industrial supplier, has been positioning itself as a strategic partner either to U.S. Westinghouse or French Areva. Most importantly, Italy's biggest electricity utility ENEL told us that it is making plans and allocating resources in preparation for construction of nuclear plants. Even factoring in the current economic downturn and low price of alternative fossil fuels, ENEL said that it believes nuclear power will be a part of its Italian energy portfolio. General Electric is also competing to build nuclear power plants here and has a long-standing presence in the power sector.

CONTINUING FRENCH LOBBYING MAY TIP BALANCE
OVER U.S. TECHNOLOGY

¶15. (C) Industry and energy expert contacts tell us that when compared to competing French reactors, U.S. technology appears to have many advantages and could be a better fit for

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Italian needs. In addition, Ansaldo Nucleare and its parent company, defense and industrial conglomerate Finmeccanica have expressed an open preference for a U.S. selection, given their long-standing ties to the U.S. nuclear industry. Based on their experience, they believe that a U.S. technology selection would lead to higher levels of Italian subcontracting and greater willingness to jointly develop new technology than would be the case with Areva. That last point was strongly made to us by both Ansaldo and the Minister of Economic Development's Senior Energy Advisor, Sergio Garribba. Both told us that Italy wants to claim a leading role in nuclear power technology and any agreement that will permit them to collaborate in advanced nuclear systems design will be a "game winner." Finally, even ENEL, despite ongoing collaboration with France's Areva, has told us that they prefer to be able to choose from the best nuclear technology available and not be obliged by politicians to use a French solution.

¶16. (C) However, French lobbying of the GOI at the highest political levels on behalf of the Areva design continues. And all our sources conclude that a political decision by Berlusconi will likely trump any and all expert input. French President Sarkozy will visit Rome on February 24 for bilateral talks with Berlusconi and nuclear energy cooperation is one item on their agenda. Speculation in Rome is that Sarkozy may be prepared to offer Berlusconi a package of technical support and financing in exchange for Italian commitment to French nuclear technology. Given that bringing nuclear energy back to Italy before his term expires in 2013 is important to Berlusconi, it is possible that he may decide very quickly.

NRC OTHER USG AGENCY IMPACT

¶17. (C) NRC presenters made excellent impressions upon the nuclear power cognoscenti in Rome. Their very helpful three day visit provided us with many opportunities to remind Italian nuclear energy experts of the one-time close

cooperation between U.S. and Italian nuclear equipment suppliers and government regulators. This was the fourth in a series of events devoted to nuclear and renewable power that Post has sponsored in the last several months. For example, in September we brought DOE DAS for Nuclear Power Deployment Miotla to speak to lawmakers and the public on U.S. nuclear technology. That was followed by a visit by DOS Commercial and Business Special Representative Mermoud to discuss collaborative opportunities in the civilian nuclear sector. Finally, in December and January two events on renewable and low carbon technologies underscored the need to look at a broad effort to enhance energy security in Italy, including steps to overcome investment impediments for development of various energy sources.

RECOMMENDATION

¶8. (C) While the Mission has been vigorously promoting a broad effort to encourage new energy technologies, we have paid special attention to the nuclear sector, given the enormity of potential orders for U.S. firms ever since Berlusconi announced his nuclear power plans back in May ¶2008. As a next step we hope to engage DOE expertise to address the pressing question of financing. But despite the fact that the Russians have also entered the field, the competition here is with the French -- specifically Areva. According to press and industry accounts, French President Sarkozy will discuss enhanced nuclear cooperation when he visits Rome on February 24th. U.S. company representatives and their Italian allies are apprehensive that absent high-level U.S. lobbying, French pressure will push the decision toward a purchase of their technology. We clearly need to engage at the highest level, given the stakes involved and the indication that the technology choice will be made by the Prime Minister's office. Tens of billions of dollars in contracts and substantial numbers of high-technology jobs could be involved. End comment.

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